production is a prosperity which has nothing to recommend it. Our business undertakings must pay their way. They can and must pay all the costs of production and a part of the costs of production are the costs of installing new machinery and new methods. Unemployment due to the introduction of new improved machines, methods and processes is one of the costs of production which business never has fully met in this country. Business has never been asked to pay the expense of unemployment. In fact, it has never been recognized as one of the costs of production. Only now is it just beginning to be realized by some economists and business men. If business is so productive that we must devise ways and means of wasting the surplus product in order to enable the producers to sell the remaining product at a profit, surely it is able to pay all the costs of production. If business is so productive that all the goods and services now consumed could be produced by one-half the establishments or in a four-hour day by all existing establishments, it is not necessary in times of depression or profitless prosperity to turn workless workers off to walk the streets in broken shoes, seeking the privilege of working at odd jobs, while eating the thin soup and the dry crusts of charity. Certainly prosperity must be planned, if prosperity is to be really prosperous, if we are to prevent booms with over employment, followed by crises and depression with under-employment and unemployment.

Some economists and statisticians are worried about the future trend of prices. Some think that prices must necessarily rise in the future because agriculture and the other extractive industries produce under what is called "increasing costs." As the population increases, it will become more and more difficult and costly, they say, to wring from nature the raw materials necessary for our subsistence and comfort. Others, on the contrary, hold quite the opposite view, that prices are destined to fall continuously, at least for a long period, because of the dearth of gold, and the consequent dearth of money and credit with which to purchase the goods and services produced in our economic society. There is really no reasonable reason why prices should either rise or fall over long periods of time. It all depends upon whether we have sense enough to plan, control and order our production and consumption processes. It is perfectly feasible to so regulate the supply of money and credit that the general level of prices will remain practically unchanged, and this is the desirable condition for permanent prosperity. The so-called law of diminishing returns does not make it inevitable that prices shall rise continually. Increased mastery over the forces and materials of nature enable us to produce at continually higher productive levels, and all of these improvements tend to reduce the time and labor costs of production. Neither does the alleged limitation and increasing scarcity of gold mean that we are inescapably subjected to the tyranny of a continually falling price level. It is perfectly possible, through the planning, ordering and control of industrial processes and improvements, to maintain a practically level price level, and thereby to escape the evils of rising prices, over expansion and crises as well as falling prices, depression and disruption in industry.

I was very much struck with one observation made by Mr. Williams. He advocates paying higher wages in order to cut down the costs of production. This sounds like a very Utopian pronouncement, coming from a representative of employers. I seriously doubt whether merely raising the wages of labor will bring about the increase in efficiency and prosperity which Mr. Williams suggests. It is certain that, in some instances, workers have not been paid a sufficient proportion of the total product they have worked to produce. It is also certain that when workers are put on part time or discharged from their jobs, their power to purchase commodities is greatly curtailed or completely destroyed. The result of this destruction of purchasing power has undoubtedly, in many instances, aggravated business depression, if it has not actually caused crises. It would be an interesting experiment if only employers in general would accept this view and set about to increase wages for the purpose of increasing the purchasing power of the community, and consequently, increasing prosperity.

Carl W. Scholz.[5] In view of the brief space of time at my disposal to discuss two such thought stimulating papers as those presented by Mr. Brougham and Mr. Williams, I have written down my comments, so as not to exceed my time allowance.

If my interpretation of Mr. Williams' arguments is correct it may be summarized thus; high wages paid to labor stimulate management to introduce labor-saving devices, which tend to increase industrial output. The larger product thus obtained may be distributed either by lowering the selling price of the product, keeping wage rates approximately constant, or by increasing the wages of labor, and keeping the selling price about the same. In either case the real wages of labor will tend to rise, but in the former case the benefits of lower prices will accrue to the consumer in general, while in the latter instance those who are actively engaged in productive activity will gain primarily. Furthermore, the high wages of labor will in turn stimulate management to employ more labor-saving devices with a view to increasing output at lower costs. In other words, management will stimulate itself to greater productive efficiency by paying higher wages to labor.

This very ingenious argument raises a number of interesting and pertinent questions. In the first place, what would determine the higher rate of wages paid to labor out of the greater product of industry? Would it be based upon the increased productivity resulting from the employment of labor-saving devices, or would it be left to management to raise the wages of labor voluntarily as it saw fit? Secondly, if the larger share in the product of industry going to labor in the form of higher wages, were not directly traceable to the greater productive efficiency of that labor, but rather to a keen sense of justice on the part of management, would this necessarily stimulate labor efficiency? Furthermore, if labor were to be replaced to an increasing extent by labor saving devices, by what process of selection would management choose from the increasing number of those looking for jobs, the fortunate individuals whom they would favor with higher wages?

It would seem that all these considerations must be borne in mind by those who would set aside the free play of economic laws in the apportionment of the products of industry and distribute them in accordance with high ideals of equity and justice. The issue raised by Mr. Williams is, strictly speaking, ethical rather than economic. It involves the question of the just distribution of the growing volume of product made possible very largely by scientific organization and management of modern industry, and emphasizes the importance of having a clearly defined purpose, a definite plan to guide the industrial activity of the nation.

In his argument favoring higher wages of labor with increasing production of industry, Mr. Williams points out that constant wages and lower prices will increase the real income not only of the wage earners but also of non-producing consumers. He illustrates his point by referring to a person living on a constant income of four thousand dollars, derived from an inherited investment. "If wage rates are held constant and improvements in manufacturing methods are distributed by lowering the prices of products, my four thousand dollars will purchase just as much of the products of industry and more of personal service." Why, may we ask, should the same money income and lower prices of products not make possible buying more of the products of industry?

Again, speaking of the increased industrial output in the United States during the past six or seven years, Mr. Williams makes the statement that "while productivity and the income of the United States have greatly increased in the last few years real wages have increased little, if any." There appears to be a contradiction between this observation and the statement made by Mr. Brougham, based on recent wage studies, that since 1921 there has been a thirty-six per cent increase in real wages in the United States. But these minor points of criticism should not cause us to lose sight of the fact that the paper presented by Mr. Williams reveals a certain idealism and a sense of justice in the conduct of industry which should be stimulating and inspiring to all who are interested in the problems confronting modern industrial organization.

Turning now to the paper read by Mr. Brougham, you were no doubt impressed, even as I was, by the striking array of illustrations cited to indicate that the modern tendency in the industrial technique and organization is to increase industrial capacity but to dispense more and more with the wage earner. If this tendency continues, and scientific management undoubtedly fosters its continuation, we may well ask, as does Mr. Brougham, how is purchasing power to be provided to the consumer

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